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DEPARTMENT OF VETERANS AFFAIRS

Prescription Drugs Not Administered During Treatment; Update to Administrative Cost for Calendar Year 2012

AGENCY: Department of Veterans Affairs.

ACTION: Notice.

SUMMARY: This Department of Veterans Affairs (VA) notice informs the public of the updated “National Average Administrative Costs” for purposes of calculating VA’s charges for prescription drugs that were not administered during treatment but were provided or furnished by VA to a veteran for: a nonservice-connected disability for which the veteran is entitled to care (or the payment of expenses of care) under a health plan contract; a nonservice-connected disability incurred incident to the veteran’s employment and covered under a worker’s compensation law or plan that provides reimbursement or indemnification for such care and services; or a nonservice-connected disability incurred as a result of a motor vehicle accident in a State that requires automobile accident reparations insurance. This updated administrative cost charge was effective on January 1, 2012, for Calendar Year 2012.

FOR FURTHER INFORMATION CONTACT: Romona Greene, Chief Business Office (10NB1A), Veterans Health Administration, Department of Veterans Affairs, 810 Vermont Avenue, NW, Washington, DC 20420, (202) 461-1595. This is not a toll free number.

SUPPLEMENTARY INFORMATION: Section 17.101 of title 38, Code of Federal Regulations, sets forth VA's medical regulations concerning the collection or recovery by VA for medical care or services provided or furnished to a veteran for a nonservice-connected disability. As provided in 38 CFR 17.101(m), when VA provides or furnishes prescription drugs not administered during treatment for: (1) a nonservice-connected disability for which the veteran is entitled to care (or the payment of expenses of care) under a health plan contract; (2) a nonservice-connected disability incurred incident to the veteran's employment and covered under a worker's compensation law or plan that provides reimbursement or indemnification for such care and services; or (3) a nonservice-connected disability incurred as a result of a motor vehicle accident in a State that requires automobile accident reparations insurance, "charges billed separately for such prescription drugs will consist of the amount that equals the total of the actual cost to VA for the drugs and the national average of VA administrative costs associated with dispensing the drugs for each prescription."

Section 17.101(m) includes the methodology for calculating the national average administrative cost for prescription drug charges not administered during treatment. The administrative cost is determined annually using VA's managerial cost accounting system. Under this accounting system, the national average administrative cost is determined by adding the total VA national drug general overhead costs (such as costs of buildings and maintenance, utilities, billing, and collections) to the total VA national drug dispensing costs (such as costs of the

labor of the pharmacy department, packaging, and mailing) with the sum divided by the actual number of VA prescriptions filled nationally. The labor cost also includes cost for the professional activity of reviewing and dispensing a prescription.

Based on this accounting system, VA will determine the amount of the national average administrative cost annually for the prior fiscal year (October through September) and then apply the charge at the start of the next calendar year. The national average administrative cost for calendar year 2012 is \$12.39 and was effective on January 1, 2012.

This notice will be posted at <http://www1.va.gov/CBO/apps/rates/index.asp> under the heading “Federal Registers, Rules, and Notices” and identified as “Administrative Charge Federal Register Notice, CY 2012.” Following this Federal Register notice, all subsequent Federal Register notices providing updates on the administrative charge will be published in conjunction with the Federal Register notices providing updates on the charges for outpatient facilities and professional services.

Approved: March 23, 2012

John R. Gingrich, Chief of Staff
Department of Veterans Affairs.

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